

# Good essay on has the american economy achieved the full employment

[Countries](#), [United States](#)



Full employment is an important economic goal. Full employment is a situation with an acceptable rate of unemployment that is more than “ 0.” However, there is no certain answer to the question “ How much more than 0?” In the past, the economists were considering this rate between 3% and 13%. Nowadays, the estimation of OECD and many economists for this rate is from 4% to 6. 4%.

Calculating the natural rate of unemployment depends on a simple idea. In the possible best conditions in the economy, the business and the government can create the highest possible number jobs for the workers. Only a few workers can stay unemployed because they are looking for another job, or they are developing their skills to find better jobs or change the industry they work in by going back to school. As known, to consider a person as unemployed, this person should be willing to work in the current market conditions with a given market wage level, and not be able to find a job. Thus, there might be some people who are willing to work, but they have some acceptable reasons to stay unemployed for a while. This kind of unemployment is defined as frictional unemployment. The frictional unemployment is accepted as normal in the modern economies, and even the economists believe that the frictional unemployment might make a contribution to develop new businesses in the different industries, and it might create a elasticity in the labor market. Thus, the frictional unemployment is considered good. Considering that the advantages of a high level of mobility between different industries and different geographical locations for the economy; the frictional unemployment increases the labor mobility’s contribution to the economy. Finally, the frictional unemployment

means staying unemployed temporarily.

Following the explanations above, the full employment is a basic subtraction: total number of people minus number of frictionally unemployed people. The full employment depends on the development level of the economy, the structure of the economy, and the quality of the labor force. The developed economies can create better synergies between the production factors, and that makes a contribution to decreasing the natural rate of unemployment. Well-developed strong economic structure, well-educated and well-trained high quality labor force, and a high level of elasticity in the developed economies keeps the frictional unemployment at low level, and the frictionally unemployed people can create a high level of contribution to the labor mobility and creating new businesses in the economy.

Depending on the explanations above, can one claim the American Economy has achieved the full employment. The Federal Reserve Bank of St. Louis calculates the past natural rate of unemployment and makes predictions for the future. Their calculation and estimation are given below.

Source: Economic Research Department, Federal Reserve Bank of St. Louis, MO, USA.

As can be seen in the table, the natural rate of unemployment in the US is less than 6.30% the most. These statistics is acceptable in terms of the theoretical definition of the natural employment. To confirm whether the American Economy has achieved full employment, we need to check the unemployment rate in the country.

Source: Economic Research Department, Federal Reserve Bank of St. Louis, MO, USA.

The civilian unemployment rate statistics indicate that the unemployment rate in the country fluctuates, and it is above the natural rate of unemployment for many years. It looks like that the unemployment rate increases every ten years. We know that the American Economy has faced economic crises in ten-year intervals. Considering that the American Economy as one of the most developed economies is facing a higher level of unemployment more than the natural rate of unemployment, the full employment is an ideal situation.

The statistics simply shows us that the American economy is not achieving the full employment permanently. There exists economic cycle, and when the American Economy is developing, the economy achieves the full employment temporarily; however, it does not continue so long.

### **Why the Natural Rate of Unemployment Increased during the Crisis?**

The global financial crisis has revealed essential information about the American Economy. The American Economy has promoted the consumption culture for long years; however, the people have started spending more than they earn, and they could get large credits without depending on their income. This consumption culture might cause more problems in the future.

The global financial crisis has changed the beliefs among the people, and many people would like to situate themselves in a better position. In another word, the economic structure has changed, and the American Economy management would like to reshape the economy for sustainability. As a

result of this structural change, more people are frictionally unemployed.

Many of them has also lost their trust in the American Economy, and they are becoming more cautious.

Consequently, the structural change in the economy, the loss of trust, and the policies developed to reshape the American Economy has increased the natural rate of unemployment. More people are frictionally unemployed, and these people would like to have more certain information about the future of the American Economy. If the uncertainty in the American Economy is unveiled, we might expect a decrease in the natural rate of unemployment.